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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
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In the Matter of )	
2000 Biennial Review — )	
Comprehensive Review of the Accounting )	CC Docket No. 00-199 /
Requirements and ARMIS Reporting )	
Requirements for Incumbent Local )	
Exchange Carriers: Phase 2 )	
Amendments to the Uniform System of Accounts )	CC Docket No. 97-212
for Interconnection )	
Jurisdictional Separations Reform and Referral to )	CC Docket No. 80-286
the Federal-State Joint Board )	
Local Competition and Broadband Reporting )	CC Docket No. 99-301
_____ )	

**COMMENTS OF AT&T CORP.**

Pursuant to Section 1.415 of the Commission's rules, AT&T Corp. ("AT&T") submits these brief comments on the Phase 3 issues raised in the Commission's Further Notice of Proposed Rulemaking, FCC 01-305, released November 5, 2001 ("FNPRM"), on accounting requirements and ARMIS reporting for incumbent local exchange carriers ("ILECs").

In this FNPRM, the Commission seeks to "refresh" its Phase 3 record concerning regulatory needs to retain its Part 32 Class A accounting practices and ARMIS filing requirements, whether it should eliminate its rules concerning continuing property records ("CPR"), and whether it should eliminate or revise its affiliate transactions rules.

Each of the above issues has been the subject of extensive and repeated briefing, by AT&T and other interested parties, over the past several years. AT&T is not aware of any

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material changes in the competitive or regulatory environments facing ILECs that have rendered inapposite or untimely its previous comments. Thus, AT&T respectfully requests that its prior contributions to this record be incorporated into the current proceeding.<sup>1</sup>

Indeed, there have been several recent developments to show that it would be particularly unwise for the Commission to weaken or eliminate these accounting, ARMIS, CPR and affiliate transactions requirements. Because these developments have been reported so extensively in the general media and trade press, it will suffice just to mention a few of them. They include the following:

- a) *The collapse of Enron* demonstrates that relieving a large utility from regulator-specified accounting practices and replacing these with self-defined accounts certified by a large public accounting firm as meeting Generally Accepted Accounting Principles (“GAAP”), may provide no assurance of financial transparency or stability. In addition, *Enron* may show how transactions that may really have been with affiliates can be disguised as external transactions.
- b) *The collapse of Global Crossing* demonstrates the opportunities to present a misleading view of a company’s financial position that are available through the use of capacity swaps or “sales” – even to third parties, let alone affiliates.

The instruction that should be taken from these recent developments is that the Commission and state regulators will be best able to ensure the reliable provision of monopoly

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<sup>1</sup> See, e.g., AT&T *Ex Parte* on Phase 2 & 3 issues in *2000 Biennial Review Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers*, CC Docket No. 00-199, filed September 6, 2001; *id.* AT&T Phase 3 Comments, filed February 13, 2001; *id.* AT&T Phase 2 Reply Comments, filed January 30, 2001; *id.* AT&T Phase 2 Comments, filed December 21, 2000.

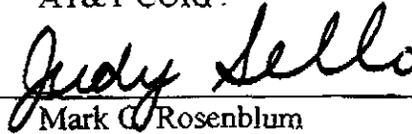
local telecommunications services by financially stable providers if the Commission retains its current accounting, ARMIS, CPR and affiliate transactions rules. Without these rules specifying uniform and well-established procedures for reporting on the physical inventories and financial status of the large ILECs, the Commission will have no effective way to monitor their status, and no opportunity to take preemptive or corrective steps should untoward situations arise.<sup>2</sup>

For the foregoing reasons, the Commission should not relax its accounting, ARMIS, CPR and affiliate transactions rules as proposed in the FNPRM.

Respectfully submitted,

AT&T CORP.

By /s/



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April 8, 2002

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<sup>2</sup> At the same time, the Commission should not adopt the proposed additional CLEC reporting requirements for the reasons previously discussed in AT&T's CC Docket No. 99-301 submissions. See AT&T *Ex Parte* on extending Form 477 reporting obligations in *Local Competition and Broadband Reporting*, CC Docket No. 99-301, filed May 23, 2001; *id.* AT&T Reply Comments on Second NPRM, filed April 2, 2001; *id.* AT&T Comments on Second NPRM, filed March 19, 2001; *id.* AT&T Reply Comments on initial NPRM, filed December 20, 1999; *id.* AT&T Comments on initial NPRM, filed December 3, 1999.